

29 August 2019



Steven Bailey
Inquiry Director
Local Government Funding & Financing
The New Zealand Productivity Commission

Dear Steven

Local Government Funding & Financing – Tauranga City’s Response

Thank you for the opportunity to respond to the findings and recommendations of your draft report. Attached with this letter are our responses to specific recommendations and questions. Beyond those, we would like also to endorse the submission of the Society of Local Government Managers (SOLGM) and to make the following key points.

Rates allocation & equity

We endorse the principle of the Commission’s recommendations, particularly in regard to the importance of transparency, of seeking to allocate costs to beneficiaries and, after that, consideration of affordability and equity. We are generally comfortable with the proposal to phase out the Uniform Annual General Charge and ‘differentials’ in favour of greater use of targeted rates and charges. However, we note that in practice the allocation of rates for some services and public goods will remain imprecise and subjective and that general rates are an efficient way to collect revenues for public goods.

We also note, as does SOLGM, that the Commission and the Government should give more detailed consideration to the value of congestion charging and volumetric charging for wastewater. Volumetric charging of wastewater would be simple to implement for councils that are already metering water and has significant potential value through the deferment of capital investment.

Financing growth infrastructure

Tauranga is likely to have a significant undersupply of housing in the near-future due to a set of barriers to the provision of development-ready land. Council’s willingness to invest is not a major barrier. The primary barriers are balance sheet capacity, lack of NZTA and government co-investment, complex planning processes beyond our control, complex land ownership structures (especially multiply-owned Maori land), topography and the need to ensure resilience to natural hazards.

We strongly support the recommendation for enabling legislation to allow greater use of ‘special purpose vehicles’, with powers to tax, for growth financing off-balance sheet. In combination with Urban Development Agency legislation, these new models have the potential to accelerate the planning process and the deployment of growth infrastructure.

We would also note that the current schemes are made far more complicated by requiring an explicit link to new housing. Using these tools to fund general ratepayer debt and then using

the debt capacity created to fund new growth infrastructure would be far more efficient. We also favour supportive legislation to allow value capture from existing properties that benefit from new hard and soft infrastructure.

We are unconvinced that payments to councils according to consented development levels would provide significant incentive as council incentive is not a major barrier to growth, though we welcome Government funding support in this area and would recommend this also consider funding for the operational costs of growth planning, which are significant. We are also unconvinced that a tax on land zoned for housing would be an effective mechanism, though we welcome further investigation.

We strongly disagree with the suggestion that a standardized approach to development contributions (DCs) should be imposed on the sector, but we note the need for guidance on the appropriateness and fairness of DCs policies. We also reiterate our and the sector's position that DCs should be applicable to community infrastructure on non-council-owned land, and that the Crown should not be exempt from DCs.

Climate change and natural hazard resilience

We are in general agreement with your recommendations in regard to climate change adaptation and endorse the SOLGM response. Of particular importance is the need for central government to work with local government to establish hazard risks and their implications for public and private assets and to set up (or reconfigure) and resource suitable government agencies to address legal liability and funding frameworks, in order to meet the emerging challenge at the lowest economic and social cost. We strongly support the establishment of a local government resilience fund.

My team and I are happy to discuss with you any of the issues raised in our response or in your wider inquiry.

Yours sincerely



Marty Grenfell
Chief Executive